



TELECONFERENCE
PUBLIC EMPLOYEES' RETIREMENT BOARD

April 14, 2008

The teleconference meeting was called to order by President Jay Klawon at 9:00 a.m. Monday, April 14, 2008. Roll call was taken with all members of the Board being present. Mr. Ray Peck was in attendance, the remaining Board members were present via telephone.

Roll Call:	Jay Klawon, President John Paull, Vice President John Nielsen, Member Ray Peck, Member Dianna Porter, Member Terry Smith, Member
Staff Present:	Roxanne Minnehan, Executive Director Melanie Symons, Legal Council Scott Miller, Legal Council Kim Flatow, Member Services Bureau Chief Barb Quinn, Fiscal Services Bureau Chief Ursula Hatfield, Executive Assistant

OPEN MEETING

No members of the public present.

Public Comment on any subject of interest not on the Board agenda: None given.

Board Legislative Committee Appointments – Mr. Jay Klawon

President Klawon appointed the following Legislative Committee.
Mr. Ray Peck, Chair
Mr. John Paull, Member
Mr. Terry Smith, Member

PERB LEGISLATIVE COMMITTEE/PERB JOINT MEETING 9:05 a.m.
PERB Conceptual Legislation – Roxanne Minnehan

Agency proposed conceptual legislation must be submitted to the budget office by Monday, April 14, 2008, these can be withdrawn at a later date. MPERA staff is bringing five proposals to the Board.

Federal Qualifications Bill – This bill addresses the Pension Protection Act 2006 (PPA) and other qualification issues that need to be addressed, in order to get a letter of determination from the IRS. We are working with our tax attorneys to identify these issues. Ms. Porter stated that this is something that needs to be approved because it is a federal requirement.

Motion: Mr. Terry Smith moved to approve the Federal Qualifications Bill.

Second: Ms. Dianna Porter

Vote: 5/0, one member not present

Increase Defined Benefit (DB) Administrative Expense Cap – Currently MPERA has a cap on DB administrative expenses equal to 1.5% of DB benefits paid. In recent years MPERA is coming increasingly closer to the cap. We are proposing increasing the cap to 1.75% of benefits to ensure we can increase services, provide quality services and move forward with technological advancements. MPERA needs to expand personnel to allow continued growth in services and to keep up with Governor mandates, security issues, disaster recovery and IT needs. The Board is uncomfortable presenting this to the legislature. They do not want to put our lobbyist in a difficult situation. Per Ms. Quinn's Excel spreadsheets show, current expenses and projected expenses, will not have money issues for years. Staff pointed out that was only maintaining the status quo and not doing any enhancements or increased services. The Board discussed tabling this proposal.

Motion: Mr. John Nielsen moved to hold this proposal at this time.

Second: Mr. Terry Smith

Vote: 6/0

Require Working Retiree Employer Contributions – The baby boomers are starting to retire and leaving the workforce, creating a void of talent and experience. Many employers are hiring these experienced workers back. This puts stress on the retirement system. For every position that the employer does not fill with a contributing employee, the retirement system loses those new contributions. MPERA is proposing receiving employer contributions on working retirees. This is identified as controversial because the employers fought the employer contribution increase. If they are replacing new hires with working retiree, it should not affect their bottom line. This is the same concept as the MPORS DROP. The DROP has the working retiree police officer pay into the retirement system. The reason MPERA asking for only the employers contribution is that a benefit will not be paid to a member. The working retiree statute has increased the number of hours they can work. Prior to 1981 the hours were 480, now they can work 960 hours. After this time they must pay retirement contributions, or receive a lower retirement payment. Mr. Miller counsels that the retirees were working under specific statutes that allow them to go back to work for so many

hours without making contributions once they retire. If we have the working retirees pay into the retirement system, we could get into contract impairment issues.

Motion: Mr. John Paull moved to approve the Require Employer Contributions on Working Retirees with the addition of employees' contributions.

Second: Mr. John Nielsen

Vote: 6/0

General Revisions Bill – Every session MPERA proposes a bill to clean-up statute language that is identified in the interim through our daily work.

Motion: Mr. John Paull moved to approve the General Revisions Bill, which was rescinded so discussion could be made on Mr. Smith's motion.

Motion: Mr. Smith moved to add the use of DCRP forfeitures to pay down the UAL to the General Revisions Bill.

Second: Mr. Ray Peck

Discussion: Mr. Nielsen brought up that if the legislature decides against this portion of the bill, they could kill the whole bill. Ms. Minnehan explained that the General Revisions Bill can not have any fiscal implications. Mr. Smith and Mr. Peck agreed that this would just grant the Board the authority to make this decision; therefore, this doesn't have any fiscal implications. Ms. Symons stated that the general revisions bill cannot have any substantive changes. Mr. Miller added that our lobbyist stand in front of the legislature and say that this bill is to take care of housekeeping matters, to clarify language. If the bill does more than that MPERA will never have any credibility. It would make it difficult for MPERA and PERB to get any bill passed. Mr. Miller stated that the use of DCRP forfeitures on the UAL is not a housekeeping issue, that it is a separate item. Mr. Klawon agreed with Mr. Miller.

Mr. Smith withdrew his motion, Mr. Peck withdrew his second.

Motion: Mr. John Paull moved to approve the General Revisions Bill.

Second: Ms. Dianna Porter

Vote: 6/0

Motion: Mr. Terry Smith moved to have the use of DCRP forfeitures to pay down the UAL as a separate bill.

Second: Mr. Ray Peck

Discussion: Mr. Paull asked if this item could be discussed as it was not on the agenda. Ms. Symons explained that on Thursday at the end of the PERB meeting, there was a discussion about

the items that were going to be on the agenda for the Teleconference Board meeting, this issue was not identified as one of those topics. The agenda for this meeting had to be posted to the public on Thursday, to meet the 72 hour period. When this was e-mailed to Ms. Minnehan it was past the deadline to get on the agenda. Mr. Smith stated he understood that this item would be part of the General Revisions Bill.

Motion: Mr. Ray Peck moved to table the use of DCRP forfeitures to pay down the UAL, pending additional information.

Second: Mr. John Paull

Vote: 6/0

Allow Indian Tribes to contract for retirement coverage – MPERA has received interest from the Blackfeet Tribal Police to participate in a retirement plan. This would require a statutory change. ICE Miller suggested that it is possible but cautioned us to be careful to ensure the duties are only governmental. Otherwise, this could lead to a qualification issue. Under current statute sovereign nations are not able to join PERS or any other retirement system. This could be seen as a favorable bill in the Governor's Office. The big issue is how to monitor and enforce the time as actual governmental work. It was discussed that this was an inquiry, MPERA was not actually asked to submit a bill. PERB members did not want to propose the bill. They will either support or remain neutral pending more information if a bill is proposed.

Stakeholders Conceptual Legislation

Governor's Office – Eliminate Trigger to eliminate the Increase in PERS and SRS Employer Contributions

The Governor's Office has provided a proposed draft legislation to delete the trigger eliminating the employer contribution rate increases that went into effect last session.

Motion: Mr. John Nielsen moved to support the proposed Elimination of the Trigger which would eliminate the Increase in PERS and SRS Employer Contributions.

Second: Ms. Dianna Porter

Vote: 5/1 with Mr. Jay Klawon voting nay.

Association of Montana Retired Public Employees (AMPRE) – Trigger Increase/Decrease GABA Based on PERS Amortization Period

AMPRE is proposing a trigger to increase/decrease the GABA based on the PERS amortization period. In the 2007 legislation AMPRE proposed a trigger to be added to the GABA legislation. They will be proposing this again for 2009 legislation. Increase the GABA back to 3% but only if the unfunded liability is projected to stay below 25 years, well within the range of being actuarially sound. If the actuary determines it is above 30, then the GABA will go back to 1.5% for new hires. This will allow a year by year evaluation that the fund is sound to give new hires 3% or 1.5%. The

Board discussed concerns with the proposal as written, including a fluctuating GABA and using the amortization period to fund the proposal.

Motion: Mr. John Nielsen moved to oppose the proposal for Trigger Increase/Decrease GABA Based on PERS Amortization Period.

Second: Mr. Ray Peck

Vote: 6/0

Montana Police Protection Association (MPPA) – Eliminate Deferred Retirement Option Program (DROP) Employee Contributions

MPPA is proposing to eliminate the contribution rate of the employee that enters DROP. Mr. Smith noted the last actuarial report showed a problem with the DROP funding.

Motion: Mr. Terry Smith moved to remain neutral on the proposed Eliminate DROP Program Employee Contributions until an actuarial report is completed.

Second: Ms. Dianna Porter

Vote: 6/0

MPPA – Modify Compensation Definition

Current statute does not include holiday, overtime, or shift differential in compensation. At this time MPPA does not know the cost of this, so they are unable to determine a funding source. The Board would be more comfortable with this proposal if it is phased in or for new hires only. Current members that have not been paying their contributions on this definition over their career; would receive an increased benefit. The employee and the employer would have to pay contributions as well as the State off the gross compensation for all police officers. This would adversely affect the employee, employer and the State.

Motion: Mr. John Paull moved to remain neutral on the proposal to Modify Compensation Definition until an actuarial report is completed.

Second: Mr. Terry Smith

Vote: 6/0

Montana State Firemen's Association (MSFA) – Allow Non-GABA Members Coverage under GABA

One time legislation to allow five members of FURS to opt in to GABA, they pay the cost to be made whole. The proposal was for those members to pay the actuarial cost plus 8% interest. The issue with these members is they were given the opportunity and they opted not to take the GABA. Mr. Miller brought up his discussion with ICE Miller that this proposal could cause some IRS qualification issues.

Motion: Mr. Ray Peck moved to oppose the proposal to allow Non-GABA Members Coverage under GABA.

Second: Mr. John Nielsen

Vote: 6/0

MSFA - Implement a Partial Lump-sum Option Plan (PLOP)

The firefighters would like to add a PLOP system to FURS. They are currently gathering information to be better educated on this subject.

Motion: Mr. John Paull moved to remain neutral on Implementing a PLOP until a bill is written and an actuarial report is completed.

Second: Ms. Dianna Porter

Vote: 6/0

MSFA – Allow additional Fire Fighters into FURS

Allow additional firefighters into FURS, MCA 19-13-210. This doesn't include the Montana Air National Guard (MANG) Firefighters. The bill passed in last legislative session allowed Missoula Rural, Lockwood Fire and like departments into the FURS system. The Board was unclear who this would affect. They need to see how the bill is drafted.

Motion: Mr. John Nielsen moved to remain neutral until a bill is written and an actuarial report is completed.

Second: Mr. Ray Peck

Vote: 6/0

MSFA – Modify Compensation Definition

Overtime and other benefits to be included in retirement benefit calculation. This has been proposed before. The approach this session will be to talk to the employers and have an effective date so the cities can add this to their budgets. This proposal has same issues as the MPPA proposal. The members have not paid contributions on the proposed new definition over their career. This could cause an increase in benefits and could cause major financial hardship on cities. MSFA are willing to phase-in but this is being proposed for current members not for new hires only.

Motion: Mr. John Nielsen moved to remain neutral until an actuarial report is completed.

Second: Ms. Dianna Porter

Vote: 6/0

MSFA – Increase Formula

Increasing the retirement benefit factor from 2.5% per year of service, to 3%. A funding source has not been determined.

Motion: Ms. Dianna Porter moved to remain neutral until a bill is written and an actuarial report is completed.

Second: Mr. Ray Peck

Vote: 6/0

Association of Montana Troopers (AMT) – withhold association dues from retirement benefit

They will finalize in October what they want to bring to the 2009 legislative session. They would like MPERA to withhold the association dues from the retirees' benefits checks.

Motion: Mr. John Paull moved to oppose the proposal to withhold association dues from Montana Troopers' retirement benefit.

Second: Mr. Terry Smith

Vote: 5/1 with Mr. John Nielsen voting nay.

Association of Public-safety Communications Officials (APCO) – 20 year retirement for Public Safety Telecommunicators

The Board and MPERA staff will support allowing public safety telecommunicators into the SRS, but want to ensure that APCO will pay the actuarial cost.

Motion: Mr. Terry Smith moved to support the 20 year retirement for Public Safety Telecommunicators as long as they have a funding source.

Second: Ms. Dianna Porter

Vote: 6/0

ADJOURNMENT

There being no further business before the Board, Mr. John Nielsen moved to adjourn the meeting, Mr. Ray Peck second this motion. All voted aye, next regular meeting will be May 8, 2008. Meeting closed at approximately 11:00.